

Ugu District Municipality

ANNUAL FINANCIAL STATEMENTS
30 JUNE 2005



UGU DISTRICT MUNICIPALITY

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UGU DISTRICT MUNICIPALITY

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GENERAL INFORMATION

2004/2005

MEMBERS OF THE EXECUTIVE COMMITTEE

Cllr S B Cele (Mayor)
Cllr V L Ntanza (Deputy Mayor)
Cllr Alderman J F de Wet
Cllr M B Khawula
Cllr N A Mhlongo
Cllr R R Pillay (Speaker; Ex-officio)

AUDITORS

Auditor-General

BANKERS

First National Bank

REGISTERED OFFICE

Aqua House, 28 Connor Street, Port Shepstone
P.O.Box 33, Port Shepstone, 4240

MAYOR

Cllr S B Cele

DEPUTY MAYOR

Cllr V L Ntanza

MUNICIPAL MANAGER

K E Mpungose

DEPUTY MUNICIPAL MANAGER

N T Ndelu

MANAGER: INTERNAL AUDIT

T S Masondo

MANAGER: MAYORAL & COMMUNICATION SERVICES

V Mbhele

MANAGER: HIV/AIDS & SPECIAL PROJECTS

M Mnguni

MANAGER: IN THE OFFICE OF THE MUNICIPAL MANAGER

S P Zuma

GENERAL MANAGER: TREASURY

V H Hukum

MANAGER: GRANTS & EXPENDITURE

Vacant

MANAGER: INCOME

C T Wilcocks

MANAGER: EQUITY & ACCOUNTS

S J van Rooyen

GENERAL MANAGER: CORPORATE SERVICES

K D Bhimma

MANAGER: SECRETARIAT, IT & AUXILIARY SERVICES

J E Myers

MANAGER: JOB EVALUATION PROCESS

H E A M Wilcocks

ACTING MANAGER: HUMAN RESOURCES

S D Mbhele

GENERAL MANAGER: PLANNING & ENVIRONMENT

N M Mkhize

MANAGER: IDP, TOURISM & LOCAL ECONOMIC DEVELOPMENT

N Ndonga

MANAGER: PMU

D Govender

MANAGER: PIMSS CENTRE

K J Zulu

MANAGER: LED & TOURISM

P S Watson

GENERAL MANAGER: WATER SERVICES

M N Pawandiwa

MANAGER: SANITATION

G J Smit

MANAGER: WATER SERVICES AUTHORITY

A P A Tanner

MANAGER: WATER SERVICES INCOME

Z Mkhize

MANAGER: MECHANICAL/ELECTRICAL TRANSPORTATION

P F Hart

MANAGER: RETICULATION

J L Anderson

MANAGER: ADMINISTRATION: PARK RYNIE

D I MacIntosh

MEMBERS OF UGU DISTRICT MUNICIPAL COUNCIL

Cllr R R Pillay (Speaker)

Members:

Cllr S B Cele (Mayor; Exco Member)
Alderman J F de Wet (Exco Member)
Cllr N A Mhlongo (Exco Member)
Cllr C H Hartin
Cllr M G Sonwabo
Cllr M O Zama
Cllr S T Gumede
Cllr N A Madlala
Cllr H S Makhanya
Cllr M A Makinyane
Cllr T R Mdubeki
Cllr C B Cele
Cllr B Lubanyana
Cllr I M Mavundla
Cllr M Pillay
Cllr F B Shezi
Cllr S M Zuma

Cllr V L Ntanza (Deputy Mayor; Exco Member)
Cllr M B Khawula (Exco Member)
Cllr C S Zuma
Cllr E M Bux
Cllr J Z Cele
Cllr M K Gumede
Cllr D M M Hlengwa
Cllr J M Madonda
Cllr M V Vezi
Cllr M F Mbele
Cllr T R Mfeka
Cllr D A Ngubo
Cllr P Naidoo (31/08/2004)
Cllr S D Ngcobo
Cllr D Snashall
Cllr S A Zuma
Cllr J J G Potgieter (23/09/2004)

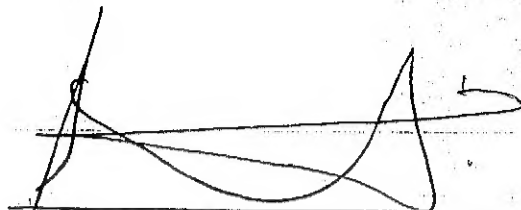
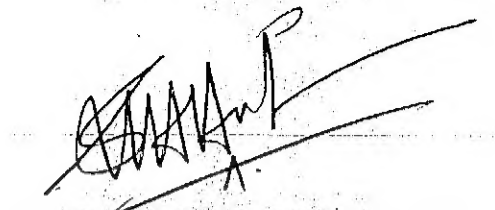
UGU DISTRICT MUNICIPALITY

APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS 30 JUNE 2005

The Annual Financial Statements of the Municipality and all other information presented in this report are the responsibility of management.

Management discharge this responsibility primarily by ensuring the establishment and maintenance of accounting systems and related internal controls. These Annual Financial Statements have been prepared in accordance with the Institute of Municipal Financial Officers standards.

The Annual Financial Statements as set out on pages 6 to 39 were approved by the Municipal Manager and Chief Financial Officer on 29 August 2005 and are certified by them to the best of their knowledge to be true and fair.


MUNICIPAL MANAGER
CHIEF FINANCIAL OFFICER

UGU DISTRICT MUNICIPALITY

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REPORT FROM THE AUDITOR-GENERAL

AWAITED

UGU DISTRICT MUNICIPALITY

6

REPORT OF THE GENERAL MANAGER: TREASURY FOR THE YEAR ENDED 30 JUNE 2005

It gives me great pleasure to present to Council the financial position of Ugu District Municipality at 30 June 2005 and the results of its operations and cash flows for the year then ended.

The balance sheet at 30 June 2005 indicates an increase in Funds, a decrease in Reserves and an increase in Retained Surplus.

The increase in Funds is ascribed primarily to the contribution to the Capital Development Fund, the decrease in Reserves can be collectively attributed to an increased spending of Grant Reserves, and a R14 million contribution from equitable share to fund free basic water to all standpipes, within the area of jurisdiction of the municipality, has resulted in the increase in Retained Surplus.

The cash flows for the year ended 30 June 2005; reflect a net cash inflow of **R24.87M**. Such inflow was utilised to reduce long-term liabilities amounting to R3.45M; the balance was invested at market related interest rates.

The operating results, as set out below, are explained in detail per operational activity of the municipality.

1. OPERATING RESULTS

Details of the operating results per classification and description of income and expenditure are included in appendices D and E. The applicable statistics are shown in appendix F.

The services offered by Ugu District Municipality, generally cover the following areas:

-	general services:	this entails the management of infrastructure and other grants and the collection of regional services and establishment levies, which are used primarily for infrastructure development, local economic development and tourism marketing and development.
-	economic services:	this entails essentially the construction, operation and maintenance of sanitation schemes located within the jurisdiction of the municipality.
-	trading services:	this entails the construction, operation and maintenance of all water schemes located within the jurisdiction of the municipality.

Each of the aforementioned are closed accounts and are therefore discussed separately.

1.1 General Services

This comprises of Regional Services and Establishment Levies and infrastructure and other grants. It is a closed account.

	Actual 2004 R	Actual 2005 R	Variance 2004/2005 %	Budget 2005 R	Variance Actual/ Budget %
Income	178 844 224	199 641 024	11.62	214 998 145	(7.15)
Expenditure	181 008 590	214 565 720	18.53	214 998 145	(0.21)
Surplus/(deficit)	(2 164 366)	(14 924 696)	-	0	-
Surplus/(deficit) as % of total income	(1.21)	(7.47)	-	-	-

1.1.1 Actual income as compared to budgeted income is as follows:

	R
Levies	(5 084 128)
Grants and subsidies received	30 642 788
Investment income	(90 419)
Sundry	(11 897)
Contribution from prior years Reserves and Funds	(40 813 495)

() - Actual income less than budgeted income.

Levies are calculated by all registered levy payers, and is based on two factors, namely a factor on turnover, and a factor on salaries and wages. The higher these factors, the more levy income is due to the District Municipality. In the 2004/2005 financial year, R5 084 128 less than the budgeted amount was received. This was mainly due to a gradual increase in the legal action, against defaulters, business apathy, the slow process of registration of new consumers, the non-marketing of compulsory registration requirements of new and existing businesses, staff vacancies not being filled timeously, the inflexibility of the levy computer system to generate statistics, and the recent announcement by the Minister of Finance to abolish levies with effect from July 2006.

Grants were received from both Provincial and National Government for specific and general projects during the year. Included in the 2004/2005 actual grants, was an amount of approximately R25.7M which represented monies for drought relief, adhoc Provincial grants, a Flagship Feasibility Project grant, a Harding Weza Pipeline grant, Public Works grant surpluses, and a refurbishment grant, all of which were not budgeted for.

The decrease in investment income is as a result of a fall in interest rates coupled with less funds than anticipated being generated from revenue sources like levies.

1.1.2 Actual expenditure as compared to budgeted expenditure is as follows:

	R
Salaries, wages and allowances	(4 064 673)
General expenses	(2 317 638)
Repairs and maintenance	(33 092)
Capital charges	(3 042 821)
Projects	(5 217 986)
Grants spent	15 353 121
Contributions to capital expenditure	(124 819)
Contributions	(984 519)

() – Actual expenditure less than budgeted expenditure.

The under expenditure of salaries is primarily due to the fact that expenditure was curtailed in anticipation of reduced income from the levy base.

The under expenditure of general expenses is primarily as a result of lower charge out rates from support departments, and a lower than anticipated spending of the MSIG grant.

The under expenditure of capital charges is as a result of not taking up an external loan, for which external interest and redemption provision had been made in the 2004/2005 budget.

The under expenditure of project expenditure is as a result of lower than anticipated charge out costs being received from support departments, and the under spending on the LED budget, disaster management budget, and local functions performed by the district budget. This under spending has curtailed the deficit growth, resulting from the material under recovery of levy income.

The over expenditure of grants is as a result of expending grant monies received during the year, which were not included in the 2004/2005 grant budget, as well as accelerated grant expenditure spending, from previous years reserves and funds.

The under expenditure of contributions to Capital Expenditure is due to the fact that not all assets as per the capital budget were purchased.

The under expenditure of contributions is due primarily to the non provision of audit fees and a lower than budgeted for contribution to the loan redemption fund.

The accumulated results are as follows:

INC OME	Actual 2004 R	Actual 2005 R	Variance 2004/2005 %	Budget 2005 R	Variance Actual/ Budget %
Opening surplus	26 989 019	27 664 580	2.50		
Operating income for the year	178 844 223	199 641 024	11.62	214 998 145	(7.15)
Summary adjustments	(30 965)	51 885	-		
	205 802 277	227 357 489	10.47	-	-
EXPENDITURE					
Operating expenditure for the year	181 008 590	214 565 720	18.53	214 998 145	(0.21)
Transfer from reserves	(2 870 893)	(5 221 301)	81.87		
Closing surplus	27 664 580	18 013 070	(34.89)		
	205 802 277	227 357 489	10.47	-	-

The position of accumulated funds with regard to meeting project allocations is as follows:

	2003 R	2004 R	2005 R
Funds allocated unspent	5 375 368	11 000 000	10 000 000
Funds unallocated	21 613 651	16 664 580	8 013 070
	26 989 019	27 664 580	18 013 070

1.2 Economic Services

The economic services, which comprises of sanitation schemes, conservancy tank waste removal and other directly related services, are all closed accounts:

1.2.1 Sanitation

	Actual 2004 R	Actual 2005 R	Variance 2004/2005 %	Budget 2005 R	Variance Actual/ Budget %
Income	28 141 403	43 141 259	53.30	49 480 875	(12.82)
Expenditure	33 046 454	43 330 912	31.12	49 480 875	(12.43)
Surplus/(deficit)	(4 905 051)	(189 653)	-	0	
Surplus/(deficit) as % of total income	(17.43%)	(0.43)	-	-	-

Actual income as compared to budgeted income is as follows:

Income	R
Sewer charges	(6 060 156)
Sundry Income	92 819
Investment income	(372 279)

() - Actual income less than budgeted income.

The under recovery of sewer charges is primarily due to unrealistic information used as a basis for budgeting, as supplied by local municipalities on take over of the sanitation service. During the current year this trend continued, hence the procurement of specialised services to cleanse the current consumer database.

The increase in sundry income results from sewer off-loading charges paid by private contractors, which charges were not budgeted for.

The decrease in investment income is as a result of falling interest rates prevailing in the South African economy during the year.

Actual expenditure as compared to budgeted expenditure is as follows:

	R
Salaries, wages and allowances	(3 896 177)
General expenses	(3 763 200)
Repairs and maintenance	(1 107 476)
Capital charges	(237 840)
Contributions to fixed assets	271 553
Contributions	2 583 174

() - Actual expenditure less than budgeted expenditure.

The under expenditure of salaries is primarily as a result of lesser departmental charge outs being processed to the vote, due to the anticipated under recovery of sewer income.

The under expenditure of general expenses and repairs and maintenance is as a result of the curbing of expenditure in light of lower than expected actual revenue streams.

The under expenditure of capital charges is primarily due to unrealistic information used, as a basis for budgeting.

The over expenditure of contributions to fixed assets is due to more current income monies being used to finance the replacement of the deteriorated sanitation infrastructure assets.

The over expenditure in contributions is due to an increased contribution to the loan redemption fund and a provision of R2.39M for sanitation doubtful debtors.

The accumulated results are as follows:

INC OME	Actual 2004 R	Actual 2005 R	Variance 2004/2005 %	Budget 2005 R	Variance Actual/ Budget %
Opening surplus	2 442 016	0	-	0	-
Operating income for the year	28 141 403	43 141 259	53.30	49 480 875	(12.82)
Sundry adjustments	0	0	-	0	-
Closing deficit	2 463 036	2 674 574	8.58	0	-
	33 046 455	45 815 833	38.64	49 480 875	(7.41)
EXPENDITURE					
Opening deficits	0	2 463 036	-	0	-
Operating expenditure for the year	33 046 455	43 330 912	31.12	49 480 875	(12.43)
Sundry adjustments	0	21 885	-	0	-
Closing surplus		0	-	0	-
	33 046 455	45 815 833	38.64	49 480 875	(7.41)

1.3 Trading Services

The trading services which comprises of water schemes, are all closed accounts.

1.3.1 Water

	Actual 2004 R	Actual 2005 R	Variance 2004/2005 %	Budget 2005 R	Variance Actual/ Budget %
Income	129 219 453	141 908 803	9.81	134 387 712	5.59
Expenditure	125 598 200	129 959 496	3.47	134 387 712	(3.30)
Surplus/(deficit)	3 621 254	11 949 307	229.97	0	-
Surplus/(deficit) as % of total income	2.94	8.42	-	-	-

1.3.1.1 The results of the actual against the budget are as follows:

	R
Income from service charges and tariffs	12 918 210
Investment income	(5 450 419)
Rent received	94 015
Sundry	(145 727)
Contributions from prior years Reserves and Funds	0
Water rates, penalties and collection fees	105 012

(-) - Actual income less than budgeted income.

The surplus in income from service charges and tariffs is primarily as a result of a R14 million contribution from equitable share to fund free basic water to all standpipes, within the area of jurisdiction of the municipality. Excluding such contribution, one would note a slight under recovery of budgeted income. This can be ascribed to less water sold than anticipated.

The decrease in investment income is as a result of the higher than expected drop in interest rates.

The increase in rental income is primarily as a result of the under budgeting of Umgeni Water, Vodacom, MTN, and Cell C rental income.

The decrease in sundry income results primarily from a smaller contribution of local government WSA support to the Water Services department to cover operational expenditure.

The increase in water rates, penalties and collection fees results primarily from penalties and collection fees raised, and more than expected rates certificates issued.

1.3.1.2 The results of the actual against the budget are as follows:

	R
Salaries, wages and allowances	2 581 672
Water purchases	1 692 231
General expenses	3 026 860
Repairs and maintenance	(715 283)
Capital charges	(2 342 608)
Contributions to capital expenditure	(459 074)
Contributions	(8 212 013)

() - Actual expenditure less than budgeted expenditure.

The increase in salaries expenditure is due to excessive overtime being worked and an increased charge out rate being applied to Water Services, due to the increased time spent by politicians and management on material water related concerns.

The over expenditure in water purchases is as a result of approximately R0.5M being paid to eThekweni Municipality for cross-boarder operations that had not been budgeted for. Also, contributing to this over expenditure was the demand placed on the municipality to continue with the supply of water to drought stricken areas, throughout its northern region.

Furthermore, this excess consumption could give indications that leaks, in the reticulation system, are not being located and repaired timeously.

The over expenditure in general expenses is primarily due to the transfer out of audit fees from the provision vote, bad debt write-offs amounting to R1.1M, and an overspending on electricity, materials connection and transport costs.

The under expenditure on repairs and maintenance is due mainly to deliberate prudent expenditure measures undertaken by management resulting in cost savings.

The under expenditure in capital charges is due to the lower actual amounts raised.

The savings in contributions to capital expenditure is due to assets not being purchased or assets purchased being funded from an alternative source.

The under expenditure in contributions is due primarily to the reduction in the provision for doubtful debts.

The accumulated results are as follows:

INCOME	Actual 2004 R	Actual 2005 R	Variance 2004/2005 %	Budget 2005 R	Variance Actual/ Budget %
Opening surplus	20 873 271	24 303 607	16.43	0	-
Operating income for the year	129 219 454	141 908 803	9.81	134 387 712	5.59
Sundry adjustments	0	345 029	-	0	-
Closing deficit	0	0	-	0	-
	150 092 725	166 557 439	10.96	134 387 712	23.93
EXPENDITURE					
Opening deficits	0	0	-	0	-
Operating expenditure for the year	125 598 200	129 959 496	3.47	134 387 712	(3.30)
Sundry adjustments	190 918	0	-	0	-
Closing surplus	24 303 607	36 597 943	50.58	0	-
	150 092 725	166 557 439	10.96	134 387 712	23.93

2. CAPITAL EXPENDITURE AND FINANCING

The expenditure on fixed assets incurred during the year amounted to R15 553 607; 83.39% less than that of the previous year. This percentage is as a result of the 2004 years expenditure incorporating assets taken over from the local municipalities. The actual expenditure is 39.87% less than that budgeted for, and consists of the following:

	2005 Actual R	2005 Budget R	2004 Actual R
Land	0	0	0
Buildings	1 703 250	26 025 500	3 730 686
Roads and storm water drainage	0	0	0
Other infrastructure	9 059 238	7 930 000	12 183 549
Other fixed assets	4 791 119	5 050 500	8 076 599
	15 553 607	39 006 000	23 990 834

Resources used to finance the fixed assets were as follows:

	2005 Actual R	2005 Budget R	2004 Actual R
External loans	153 065	25 000 000	0
Capital development fund	6 400 122	7 000 000	21 057 248
Contributions from operating income	6 502 260	6 814 600	2 933 586
Other internal funds	0	0	0
Contributions: public and state	2 498 160	191 400	0
	15 553 607	39 006 000	23 990 834

A complete analysis of capital expenditure (budgeted and actual) per department, classification or service is included in appendix C. More details regarding external loans and internal advances used to finance fixed assets are shown in appendix B.

3. EXTERNAL LOANS, INVESTMENTS AND CASH

External loans outstanding on 30 June 2005 amounted to **R94 612 948** (R98 069 944 in 2004) as set out in appendix B. During the year loans totalling R3 456 996 were repaid.

Long term investments and net cash and bank on 30 June 2005 amounted to **R202 065 487** (R182 844 597 in 2004). Council should therefore be able to meet its obligations in the foreseeable future.

More information regarding loans and investments is disclosed in the notes (3 and 6) and appendix B to the annual financial statements.

4. FUNDS AND RESERVES

More information regarding funds and reserves are disclosed in notes 1 and 2 and appendix A of the annual financial statements.

5. POST BALANCE SHEET EVENTS

No material items and/or events, pertaining to the 2004/2005 financial year have occurred subsequent to balance sheet date that warrants reporting on.

6. GENERAL

6.1 Section 12 Notice Notification

In terms of a Section 12 notice, which had arisen as a result of demarcation, total net asset value amounting to R11 156 459 must be transferred from Ugu District Municipality to eThekweni Municipality.

in terms of a Section 12 notice, which had arisen as a result of demarcation, a certain asset value amounting to R869 736 must be transferred to Ugu District Municipality from Illembe District Municipality.

6.2 National & Provincial Ministerial Determination of Powers & Functions

In accordance with the division of powers and functions between local and district municipalities as per the Municipal Structures Act 117 of 1998, the function of water and sanitation services vests with Ugu District Municipality, effective from 1 July 2003.

The district municipality is currently in the process of finalising the legal registration process of assets and loans taken over from the affected local municipalities, as per the ministerial determination of powers and functions.

7. **EXPRESSION OF APPRECIATION**

I am grateful to the Mayor, members of the Executive Committee, Councillors, the Municipal Manager, the Deputy Municipal Manager, Heads of Department, management and staff for their unflinching support, given during the course of the 2004/2005 financial year. Appreciation is also expressed to the Auditor-General for their assistance and support during the year under review.



VED H HUKUM

GENERAL MANAGER: TREASURY

UGU DISTRICT MUNICIPALITY

ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2005

1. Basis of presentation

- 1.1 The Annual Financial Statements have been prepared in accordance with standards as laid down by the Institute of Municipal Finance Officers (IMFO) in its Code of Accounting Practice for Local Authorities in South Africa (1996).
- 1.2 The Annual Financial Statements are prepared on the historical cost basis, adjusted for capital expenditure as more fully detailed in note three. The accounting policies are consistent with those applied in the previous year, except if otherwise indicated.
- 1.3 The Annual Financial Statements are prepared on the accrual basis;
 - except for levy income which is accounted for on a cash received basis.

2. Consolidation

The balance sheet includes general, economic and trading services and the different funds, reserves and provisions. All inter account charges are set-off against each other.

3. Fixed assets

3.1 Fixed assets are stated:

- at historical cost, or
- at valuation (based on the market value at date of acquisition), where assets have been acquired by grant or donation while they are in existence and fit for use, except in the case of bulk assets which are written off at the end of their estimated useful life as determined by the General Manager: Financial Services.

3.2 Depreciation

The balance shown against the heading "Loans Redeemed and Other Capital Receipts" in the notes to the balance sheet is tantamount to a provision for depreciation; however, certain structural differences do exist. By way of this "provision" assets are written down over their estimated useful life. Apart from external loans and advances from the various internal funds, assets may also be acquired through:

- Appropriations from income, where the full cost of the asset forms an immediate and direct charge against the operating income, and therefore it is unnecessary to make any further provision for depreciation.
- Grant or donation, where the amount representing the value of such grant or donation is immediately credited to the "Loans Redeemed and Other Capital Receipts" account.

3.3 All net proceeds from the sale of fixed assets are credited to the capital development fund.

3.4 Capital assets are financed from different sources, including external loans, operating income, endowments, grants, donations and internal advances. These loans and advances are repaid within the estimated lives of the assets acquired from such loans or advances. Interest is charged to the service concerned at the ruling interest rate applicable at the time that the advance is made.

4. Inventory

Inventory is valued at the lower of cost, determined on the weighted average basis, and net realisable value.

5. Funds and reserves

5.1 Capital development fund

The Water Services Ordinance of Natal, requires a minimum contribution of 3,0 percent of the defined expenditure of a water undertaking for the immediately preceding financial year.

5.2 Loans redemption fund

The redemption of local registered stock is provided for by the annual repayment of advances made to the borrowing accounts calculated on the estimated life of assets acquired but subject to a limitation of a maximum of 30 years on the life of any individual asset. Internal loans are repaid in relation to the life of an asset. Redemptions on annuity loans are paid half yearly on an annuity basis.

5.3 Capital reserve

~~A reserve is being built up with the object of providing capital to meet any possible contingencies.~~

5.4 Depreciation and renewal fund

The water schemes accumulate funds on assets whose useful life is less than the period of external loans.

5.5 General reserves

Reserves consist of grants and funds received. Such grants and funds are recorded under income in the year of receipt. At a financial year-end any unspent or spent portions of the grants and funds, are transferred to or from the reserve respectively.

6. Retirement benefits

Ugu District Municipality and its employees contribute to the KwaZulu-Natal Joint Municipal Pension and Provident Funds, which provides retirement benefits to such employees.

The retirement benefit plan is subject to the Pensions Funds Act, 1956, with pensions being calculated on the final pensionable remuneration paid. Current contributions are charged against operating income on the basis of current service costs. Unfavourable experience adjustments and the cost of securing increased benefits are written off over the lesser of the remaining period of service of employees or five years. Favourable experience adjustments are retained in the retirement benefit plan.

Full actuarial valuations are performed at least every three years.

7. Post retirement medical aid benefits

It is Council's policy to continue providing their share of medical aid benefits to retired employees. The cost of this contribution is charged against current income as incurred.

8. Surpluses and deficits

Any surpluses or deficits other than funds specifically appropriated, arising from the operation of the general, economic and trading services (as they are closed accounts) are retained in that service for its own future use.

9. Accounting treatment of internal support services

The costs of internal support services are transferred to the different services in accordance with the Institute Report on Accounting for Support Services (June 1990).

10. Leased assets

Fixed assets, if any, held under finance leases are capitalised. Such leases are effectively amortised over the term of the lease agreement.

Lease finance charges would be allocated to accounting periods over the duration of the leases, by the effective interest rate method, which reflects the extent and cost of lease finance utilised in each accounting period.

All other leases are treated as operating leases and the relevant rentals are charged to the operating account in a systematic manner related to the period of use of the assets concerned.

11. Accounting treatment of investment income

Investments are shown at the lower of cost or market value if a permanent decline in the value occurred, and are invested per circular No. LG 3 of 1991 issued by the Provincial Administration, Community Development Branch.

12. Accounting treatment of deferred charges

12.1 Assets written off prior to the loans financing them are fully repaid.

12.2 Preliminary expenses include pre-production expenses.

13. Income recognition

13.1 Water Billings

Meters on all properties are read and billed monthly.

Accruals are made for water consumed during the financial year but only billed the following year.

13.2 Assessment rates

The Ugu District Municipality applies a flat rating system when the water services assessment rates are levied.

13.3 Sanitation

In respect of consumers who have access to waterborne sewerage, revenue is raised based on a charge linked to land and/or building valuations.

All other related charges are raised in terms of Council's tariffs of charges.

UGU DISTRICT MUNICIPALITY
BALANCE SHEET AT 30 JUNE 2005

CAPITAL EMPLOYED

FUNDS AND RESERVES

Accumulated funds
Reserves

RETAINED SURPLUS

LONG TERM LIABILITIES

CONSUMER DEPOSITS : SERVICES

EMPLOYMENT OF CAPITAL

FIXED ASSETS

INVESTMENTS

LONG TERM DEBTORS

DEFERRED CHARGES

NET CURRENT ASSETS

CURRENT ASSETS

Inventory

Debtors

Cash and Bank

CURRENT LIABILITIES

Provisions

Creditors

Bank Overdraft

Loans : short term portion

KHAYO E. MPUNGOSE
MUNICIPAL MANAGER

29 AUGUST 2005
DATE

Note	2005	2004
	R	R
	254 308,166	251,237,616
1	171,635,973	163,344,122
2	82,672,193	87,893,494
	33,923,389	21,040,570
■	72,236,552	97,909,218
4	12,497,101	10,853,395
	372 964 188	381 840 797
5	142 067,790	151,098,968
6	20,590,865	24,978,219
7	0	0
	162,658,655	176 077,186
	29,731	29 731
	210 275,802	205,733,880
	312 146,324	284,804 902
8	3 018,917	2,806,187
9	127,652,785	122,591,323
10	181,474 622	159,407,391
	101,870,521	79,071 021
11	4,245,199	3,906,880
12	75 247,927	73,462,420
10	0	1,541,012
3	22,377,396	160,729
	372,964,188	381,840 797

VED H. HUKUM
GENERAL MANAGER : TREASURY

MUNICIPAL ACCOUNTANT

NAME : S J VAN ROOYEN
QUALIFICATION : B Compt. (Hons)
EXPERIENCE : Thirteen Years

UGU DISTRICT MUNICIPALITY
INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2005

2004 Actual Income	2004 Actual Expenditure	2004 Surplus/ (Deficit)		Note	2005 Actual Income	2005 Actual Expenditure	2005 Surplus/ (Deficit)	2005 Budget Surplus/ (Deficit)
R	R	R			R	R	R	R
179,844,224	181,008,590	-2,164,366	GENERAL SERVICES		199,641,021	214,565,720	-14,924,699	0
28,141,403	33,046,455	-4,905,051	ECONOMIC SERVICES		43,141,259	43,330,912	-189,653	0
129,219,454	125,596,200	3,621,254	TRADING SERVICES		141,906,803	129,898,496	11,949,308	0
<u>335,205,081</u>	<u>339,653,244</u>	<u>-3,448,164</u>			<u>384,691,087</u>	<u>387,856,128</u>	<u>-3,165,041</u>	<u>0</u>
		-897,445	Appropriations for the year	16			10,026,539	
		2,670,893	Transfer (to) from Reserves	2			5,221,301	
		-1,474,716	Net surplus/(deficit) for the year				12,082,799	
		23,315,286	Accumulated surplus/(deficit) beginning of year				21,640,570	
		21,840,570	ACCUMULATED SURPLUS/(DEFICIT) AT END OF THE YEAR				33,923,369	

UGU DISTRICT MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2005

	Note	2005 R	2004 R
CASH RETAINED FROM (UTILISED BY) OPERATING ACTIVITIES:		40 431 185	19 841 506
Cash generated from operations	17	38 250 936	28 707 249
Investment income		9 363 610	13 395 558
(Increase)/decrease in working capital	18	618 510	(21 275 253)
Less: External interest paid		48 233 253	18 877 554
		(9 703 384)	(8 154 313)
Cash available from (utilised by) operations		38 529 872	10 723 241
Cash contributed from the public and State		1 801 313	9 118 295
Net proceeds on disposal of fixed assets		0	0
CASH UTILISED IN INVESTING ACTIVITIES		(15 553 607)	(21 866 368)
Investment in Fixed Assets			
NET CASH INFLOW (OUTFLOW)		<u>24 877 578</u>	<u>(2 024 862)</u>
CASH EFFECTS OF FINANCING ACTIVITIES:			
Increase/(decrease) in long term loans	19	(22 377 396)	(1 248 853)
Increase/(decrease) in short term loans	20	18 920 399	(25 037)
(Increase)/decrease in cash investments	21	2 187 632	0
(Increase)/decrease in cash	22	(23 606 243)	3 238 772
		<u>(24 877 578)</u>	<u>2 024 862</u>

UGU DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

1. ACCUMULATED FUNDS

Levy Fund
Capital Development Fund
Loan Redemption Fund
Renewals Fund
Capital Reserve Fund

Total accumulated funds

(Refer to appendix A for more detail)

2. RESERVES

Balance at beginning of the year
Not Transfer to (from) Reserves

Balance at end of the year

Reserves consist of unspent grants and funds -

- Land Suitability & Low Cost Housing Grant
- Social Empowerment Grant
- Equitable Share
- General Grant
- MFC and ADTEC Grant
- Sports field Grant
- Bulk Services Ifafa Mission Grant
- Bulk Services Master Plan Grant
- PMS (Land Development Objectives)
- CMIP (Solid Waste)
- Water Services Development Plan
- LGH Special Salaries Ass stance
- Tourism KZN Cultural Village
- GIS
- LGH Integrated Development Plan
- LGH Rural Services Centre
- ISWIP Project (DWAF Funded)
- Pre Paid Motor
- Eskom Electrification
- CMIP Refurbish Gamalakhe Reti cuation
- CMIP Southern Water Leakage Mgt System
- Panel Support - Immediate Capacity Support
- Cholera Epidemic Funding
- Municipal Infrastructure Grant
- Training Fund
- Rehabilitation of Oostlands Solid Waste Disposal Site
- RDP Fund (Department of Water Affairs & Forestry)
- CBPW Fund (Department of Public Works)

Totals carried forward

2005	2004
R	R
18,013,070	27,664,530
110,564,085	97,020,659
23,400,601	19,000,667
2,455,620	2,455,620
17,202,596	17,202,596
171,635,973	163,344,122
87,893,494	90,764,387
(5,221,301)	(2,870,893)
82,672,193	87,893,494
49,384	46,283
12,623	11,830
19,841,921	32,790,648
320,576	658,935
0	(81,994)
171,123	160,378
7,451	82,803
1,577	1,478
227,951	242,137
2,772,765	2,598,655
0	0
32,010	30,000
70,226	65,816
232,768	218,152
282,317	201,749
337,383	316,373
0	0
32,931	30,863
0	0
157,103	147,238
510,504	440,294
134,372	125,934
376,929	353,261
24,453,106	0
525,816	525,816
3,038,736	3,038,736
0	15,363,841
2,002,176	3,962,219
55,891,746	61,351,443

LGU DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005 (continued)

2: RESERVES (continued)

Totals brought forward

- Transitional Grant
- CMIP (Solid Waste)
- Municipal Systems Improvement Grant
- (SRDP) Nodal Development Grant
- Civil Protection
- Transformation Manager Grant
- Communication Community Initiative Grant
- Municipal Monitoring Systems Grant
- CMIP Hibiscus Coast Municipality
- CMIP Umdoni Municipality
- CMIP American Board Mission
- Rural Water Scheme Funding
- Unidentified Grant Deposit
- Aids + Mayoreess Golf Day
- Mayor's Bursary Fund
- PIMSS Grant
- Management Audit
- LED Programme
- Southbrook Intersection
- MIU Study
- Current Public Transport Records Grant
- Improvements in Conditions of Service
- CMIP Projects
- Sports & Recreation Grant
- DIMS
- Finance Management Grant
- Disaster Vehicle Grant
- Land Use Management Systems Grant
- Mkhunya Taxi Rank Grant
- Drought Relief
- GIS Grant
- Day of Reconciliation Grant
- Flagship Feasibility Project Grant
- Water Leasing Grant
- Vuna Awards Grant
- Harding Vasa Pipeline Grant
- DPW Phase II
- DPW Phase III

2005	2004
R	R
55,801,746	61,351,443
1,085,304	1,030,721
0	0
5,445,936	2,630,492
1,813,442	2,318,654
0	9,019
65,147	210,862
201,057	424,836
453,086	424,636
0	0
0	0
0	0
3,588,509	5,138,007
0	0
14,373	13,471
31,448	29,473
437,801	410,311
13,758	5,900
68,099	63,823
227,975	644,899
146,131	0
14,482	33,386
0	0
0	6,771,309
2,566,588	2,122,643
166,052	155,625
334,132	1,037,500
47,294	44,324
0	79,735
533,500	500,000
0	2,395,425
206,700	0
387,563	0
1,320,155	0
93,663	0
756,291	0
619,095	0
3,105,656	0
2,417,219	0
82,672,193	87,893,404

UGU DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005 (continued)

3. LONG TERM LIABILITIES

Local registered stock
Other loans
Annuity loans
Short term loans
Lease commitments

2005
R

22 944 081
20 000 000
38 987 157
0
12 701 709

94 612 948

22 377 396

0	0
177 704	160 729
20 000 000	0
2 199 892	0
0	0

72 235 552 97 909 216

Less : Current portion transferred to
Current liabilities

Local registered stock
Annuity loans
Other loans
Short term loans
Lease commitments

(Refer to Appendix B for more details on long term liabilities)

LOCAL REGISTERED STOCK

The loan authority has been approved for a period of 30 years
The Loan Redemption Fund has been established based on the period of the loan authority.
The loan is not secured by any assets of the UGU DISTRICT MUNICIPALITY

LEASE COMMITMENTS

The lease commitment represents sale and leaseback agreements of the Lower South Coast Water Treatment Plants and the Uvongo Sewerage Treatment Plant. A twenty year contract period was concluded, effective from 24 March 1986 to 24 March 2006. Rental is calculated at 14 percent semi annually on the amount advanced by ABSA Corporate Bank, on the sale and leaseback, and paid over on the 31 March, 31 May, 30 June, 30 September, 30 November and 31 December of each year.
The entire lease amount, which is secured by investments of the UGU DISTRICT MUNICIPALITY is redeemable on 24 March 2006.
In terms of powers and functions, further lease commitments were taken over from a local municipality in respect of sanitation vehicles

OTHER LOANS

The Loan Redemption Fund has been established based on the period of Eleven Years.
The loan is secured by an zero coupon bond with a maturity value of R 20 000 000 on 20 March 2006.

ANNUITY LOANS

The loan authority has been approved for a period of up to 30 years with various interest rates.
The loans are redeemed over the period of the loan authority in equal bi-annual instalments
The loan is not secured by any assets of the UGU DISTRICT MUNICIPALITY

UGJ DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005 (continued)

4. CONSUMER DEPOSITS : SERVICES

Water

Guarantees in lieu of water deposits

5. FIXED ASSETS

Fixed assets at the beginning of the year

Capital expenditure during the year

Less: Assets written off, transferred or disposed of during the year

Total fixed assets

Less: Loans Redeemed and Other Capital Receipts

Net fixed assets

Included under Total Fixed Assets are Assets totaling R12 294 027 which have been subject to sale and leaseback agreements

(Refer to notes 3 and 6 of the Annual Financial Statements for more details)

(Refer to appendix C and section 2 of the Treasurer's Report for more details on fixed assets.)

- (A) The comparative capital expenditure includes an amount of R71 836 136 which represents the historical cost of water and sanitation assets taken over by the Municipality in July 2003 as a result of the ministerial determination of powers and functions. These assets were not revalued at date of take over as they do not operate in the active market. We estimate that the replacement cost of these assets will far exceed the historical cost.
- (B) Comparatives include the historical cost of Cemetery & Landfill sites transferred to local municipalities as per ministerial determination of powers & functions.

6. INVESTMENTS

Unlisted

Long-term fixed deposits

Short-term fixed deposits and cash accounts

Total investments

Average rate of return on gross investments

Included under total investments are amounts totaling R12 294 027 (2004 : R14 481 659) which serve as security for lease commitments of the UGU DISTRICT MUNICIPALITY.

Interest receivable is calculated at 16 percent semi annually on the amounts deposited with ABSA

Corporate Bank and received on 31 March, 31 May, 30 June, 30 September 30 November and 31 December of each year.

(See note 3 of the Annual Financial Statements for more details on the lease commitment.)

No investments have been written off during the year

7. LONG TERM DEBTORS

There are no long term debtors

8. INVENTORY

Inventory includes consumable stores. Where necessary specific provision is made for obsolete stock.

	2005	2004
Water	12,487,101	10,853,395
Guarantees in lieu of water deposits	542,614	10,848,572
Fixed assets at the beginning of the year	368,740,215	294,000,861
Capital expenditure during the year	15,553,607	95,826,971
Less: Assets written off, transferred or disposed of during the year	0	(21,087,617)
Total fixed assets	384,293,822	368,740,215
Less: Loans Redeemed and Other Capital Receipts	(242,226,033)	(217,641,247)
Net fixed assets	142,067,790	151,098,968
Unlisted		
Long-term fixed deposits	20,590,865	24,978,219
Short-term fixed deposits and cash accounts	0	0
Total investments	20,590,865	24,978,219
Average rate of return on gross investments	6.70%	8.60%
Inventory	3,016,917	2,806,167

UGU DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005 (continued)

9. DEBTORS

Current charges (consumer and other)
Other
Deposits
RDP Programme (Department of Water Affairs & Forestry)
Municipal Infrastructure Grant
CBPW Programme (Department of Public Works)

Less : Provision for doubtful debts

2005	2004
R	R
115 912 512	115 558,777
472,654	643,786
302,657	302,657
0	23,610,587
26,383,640	0
2,011,775	2,369,458
145,083 238	142,485,266
(17,430 454)	(19,893,942)
<u>127,652 784</u>	<u>122 591 323</u>

Amounts totalling R 182 571 (2004 : R 4 434) were written off as bad debts.
This represents 0,75% (2004 : 0,004%) of the total operating income for the year.

10. CASH AND BANK

Ugu Cash and Bank
Ugu Bank Overdraft
Ugu Short term Investments and Call Accounts
RDP Programme (Department of Water Affairs & Forestry)
Municipal Infrastructure Grant
CMIP Programme
CBPW Programme (Department of Public Works)

6,946 175	4 164,970
0	(1,541 012)
127,892,445	110,848,180
0	11,164,894
46,636,027	0
0	27,633,782
(25)	5,595,537
<u>181,474 622</u>	<u>157 866,379</u>

11. PROVISIONS

Audit fee provision
Mayor's Fund
Doubtful debt provision
Forensic audit provision
Leave provision

0	0
0	0
0	0
0	0
4 245 199	3,906,860
<u>4 245 199</u>	<u>3 906 860</u>

12. CREDITORS

Trade creditors
Sundry
RDP Programme (Department of Water Affairs & Forestry)
Municipal Infrastructure Grant
CMIP Programme
CBPW Programme (Department of Public Works)

15,806,838	9,750 223
10,864,953	20,941,912
0	17,905,017
48,560,581	0
0	20,862,473
9,574	4,002,795
<u>75 247,927</u>	<u>73,462,420</u>

UGU DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005 (continued)

13. COUNCILLORS' REMUNERATION

Mayor's allowance and benefits
Deputy Mayor's allowance and benefits
Speakers allowance and benefits
Executive committee allowances
Councillors' allowances

2005	2004
R	R
302,082	489,334
324,827	314,037
289,598	298,970
894,905	987,873
1,267,889	1,075,490

3,265,102 3,165,540

14. AUDITORS' REMUNERATION

Audit fees - current year
- under provision prior year

(54,781)	569,684
0	0
(54,781)	569,684

15. FINANCE TRANSACTIONS

Total interest earned or paid.
Interest earned
Interest paid

9,363,810	15,179,195
16,492,388	13,860,358

Capital charges debited to operating account

Interest : External
Internal
Temporary advances

9,703,384	8,154,313
6,789,004	5,706,045
0	1,783,636
3,456,997	1,233,910
12,528,685	8,941,938

Redemption : External
Internal

32,478,070 25,819,843

16. APPROPRIATIONS

Appropriation account

Accumulated surplus at the beginning of the year
Operating (deficit)/surplus for the year
Appropriations for the year :
Prior year adjustments
Fixed Assets
Leaves Fund
Contribution to capital development fund
Transfer (to) / from reserve

21,840,570	23,315,206
(3,165,041)	(3,448,164)
10,026,539	(897,445)
375,028	(221,884)
0	0
9,651,510	(675,581)
0	0
5,221,301	2,870,893

33,923,369 21,840,570

Operating account

Audit fee provision
Accounting fee provision
Chairman's Fund
Doubtful debt provision
Forensic audit fee provision
Leave reserve
Contributions to Capital Development Fund
Fixed Assets
Contributions to Renewals Fund
Contributions to Reserve Fund
Loan redemption fund

(678,923)	569,684
0	0
0	0
(2,463,498)	4,463,140
0	0
1,940,761	3,073,335
4,453,053	3,058,104
0	0
0	0
0	3,058,104
4,399,933	3,754,575
7,651,336	17,976,942

UGU DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005 (continued)

17. CASH GENERATED BY OPERATIONS

(Deficit)/surplus for the year

Adjustments in respect of:

Previous years' operating transactions

Previous years' loan redemption fund

Previous years' fixed assets

Appropriations charged against income

Loan Redemption Fund

Capital Development Fund

Depreciation and Renewals Fund

Contributions to Reserve Fund

Fixed Assets

Provisions and reserves

Contribution to capital expenditure

Capital charges:

Interest paid

on external funds

to internal funds

on temporary advances

Redemption

of external loans

of internal advances

Investment income

Non operating expenditure

Expenditure charged against provisions and reserves

18. (INCREASE)/DECREASE IN WORKING CAPITAL

(Increase)/decrease in Inventory

(Increase)/decrease in Debtors

Increase/(decrease) in Creditors and Consumer deposits

19. INCREASE/(DECREASE) IN LONG TERM LOANS (EXTERNAL)

Loans raised

Loans repaid

20. INCREASE/(DECREASE) IN SHORT TERM LOANS (EXTERNAL)

Loans raised

Loans repaid

2005	2004
R	R
(3,165,041)	(3,448,164)
375,029	(221,884)
0	0
10,054,636	17,976,942
4,398,933	3,754,675
4,453,053	3,058,104
0	0
0	3,058,104
0	0
1,201,850	8,106,159
6,502,251	2,472,403
9,703,384	8,154,313
6,789,004	5,706,045
0	1,783,636
3,456,997	1,233,910
12,528,686	8,941,938
7,070,520	(12,935,980)
(923,499)	(2,955,912)
38,250,936	26,707,249
(212,729)	(903,822)
(2,597,973)	(22,441,181)
3,429,212	2,119,760
818,510	(21,225,233)
0	0
(22,377,396)	(1,248,863)
(22,377,396)	(1,248,863)
22,377,396	180,729
(3,456,997)	(105,700)
18,920,399	(25,057)

UGUD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005 (continued)

21. (INCREASE)/DECREASE IN EXTERNAL CASH INVESTMENT

Investments realised
Investments made

2005	2004
R	R
2,187,662	0
0	0
<u>2,187,662</u>	<u>0</u>

22. (INCREASE)/DECREASE IN CASH ON HAND

Cash balance at the beginning of the year
Less: Cash balance at the end of the year

157,665,379	131,165,151
<u>181,474,622</u>	<u>157,865,379</u>
(23,608,243)	3,298,772

23. RETIREMENT BENEFITS

23.1 The results of the last interim actuarial valuation of the Natal Joint Municipal Pension Fund (Retirement Fund) which covered a triennial period to 31 March 2003 revealed that the fund had a shortfall of R133,145 million. This shortfall will be taken into account in determining future surcharges, which will be met by increased employer contributions.

23.2 The last interim actuarial valuation of the Natal Joint Municipal Pension Fund (Superannuation Fund) was done at 31 March 2000. This valuation revealed that the fund was in a sound financial condition at that date.

23.3 The last actuarial valuation of the Natal Joint Municipal Pension Fund (Provident Fund) was done at 31 March 2000. This valuation disclosed that the amount of the members' share account was equal to the total of the members' full benefits.

24. CONTINGENT LIABILITIES AND CONTRACTUAL OBLIGATIONS

24.1 None

25. CAPITAL COMMITMENTS

Functions
Projects
Other

0	0
0	0
0	0
<u>0</u>	<u>0</u>

26. CAPITAL DEVELOPMENT FUND

Outstanding advances
Accumulated fund
Less: Internal investments

110,564,056	97,020,659
<u>65,347,255</u>	<u>70,870,683</u>
45,216,800	26,149,976

(See appendix B for more details)

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005 (continued)

27. LOAN REDEMPTION FUND

Outstanding advances
Accumulated fund
Less: Internal Investments

(See appendix B for more details)

28. RENEWALS FUND

Outstanding advances
Accumulated fund
Less: Internal Investments

(See appendix B for more details)

29. GRANTS RECEIVED AND GRANTS SPENT

Included in grants received of Appendix D of the Annual Financial Statements are the following amounts received from the -

Department of Water Affairs and Forestry
CMIP
Municipal Infrastructure Grants
Department of Public Works
- Community Based Public Works Programme Phase II & III

Grants have attracted an amount of R3 186 210 (2004 : R4 280 592) which represents interest received on unutilised funds.

Council is acting as an Implementing Agent for the National Department of Provincial and Local Government

30. REMUNERATION OF SENIOR MANAGERS

Municipal Manager
Deputy Municipal Manager
Chief Financial Officer
General Manager: Corporate Services
General Manager: Water Services
General Manager: Planning and Environment

2005	2004
R	R
23,403,601	19,000,667
1,598,046	1,598,046
<u>21,801,754</u>	<u>17,401,821</u>
2,455,620	2,455,620
561,706	561,706
<u>1,893,914</u>	<u>1,893,914</u>
0	35,214,954
0	46,846,248
99,485,540	0
0	7,645,880
<u>99,485,540</u>	<u>89,707,090</u>
737,370	662,319
638,081	618,930
619,757	589,089
623,866	597,703
633,854	594,942
648,551	600,303
<u>3,901,481</u>	<u>3,663,287</u>

UGU DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005 (continued)

2005

2004

31. POST BALANCE SHEET EVENTS

31.1. Section 12 notice Allocation

In terms of the section 12 notice which had arisen as a result of demarcation, total net asset value amounting to R 11 156 459 must be transferred from Ugu District Municipality to eThekweni Municipality.

In terms of the section 12 notice which had arisen as a result of demarcation, total net asset value amounting to R 869 736 must be transferred to Ugu District Municipality from Lombez District Municipality.

31.2 National and Provincial Ministerial Determination of Powers and Functions

In accordance with the division of powers and functions between local and district municipalities as per the Municipal Structures Act 117 of 1998, the function of sanitation services vests with Ugu District Municipality as at 1 July 2003. In effect, this means that the Hibiscus Coast, Umdoni and Umuziwabantu Municipalities who were performing the function prior to this date would have ceased to perform same as at the effective date and Ugu would assume all responsibility in terms of operations and maintenance.

UGU DISTRICT MUNICIPALITY
ACCUMULATED FUNDS, RESERVES AND PROVISIONS

	Balance at 30/06/2004	Contributions during the year	Interest on investments	Other income	Expenditure during the year	Balance at 30/06/2005
	R	R	R	R	R	R
ACCUMULATED FUNDS						
Levy Funds	27,664,580	(9,851,510)	0	0	0	18,013,070
Capital Development Fund	97,020,659	4,453,053	9,090,374	0	0	110,564,086
Loan Redemption Fund	19,000,667	4,399,933	0	0	0	23,400,601
Renewals Fund	2,455,620	0	0	0	0	2,455,620
Capital Reserve Fund	17,202,596	0	0	0	0	17,202,596
	<u>163,344,122</u>	<u>(798,523)</u>	<u>9,090,374</u>	<u>0</u>	<u>0</u>	<u>171,635,973</u>
PROVISIONS						
Audit fee provision	0	(678,923)	0	678,923	0	0
Accounting fee provision	0	0	0	0	0	0
Chairman's Fund	0	0	0	0	0	0
Doubtful debt provision	0	0	0	0	0	0
Forensic audit provision	0	0	0	0	0	0
Leave provision	3,906,860	1,940,761	0	0	1,602,422	4,245,199
	<u>3,906,860</u>	<u>1,261,838</u>	<u>0</u>	<u>678,923</u>	<u>1,602,422</u>	<u>4,245,199</u>
RESERVES						
Grants and Funds Unspent	<u>87,093,494</u>	<u>0</u>	<u>3,196,210</u>	<u>168,754,788</u>	<u>177,162,299</u>	<u>82,672,193</u>

UGJ DISTRICT MUNICIPALITY
EXTERNAL LOANS AND INTERNAL ADVANCES

	Interest rate	Loan number	Redeemable	Loan authority expires	Balance at 30/06/2004 R	Received during the year R	Redeemed or written off during the year R	Balance at 30/06/2005 R
EXTERNAL LOANS								
Local registered stock								
Netel Joint Pension Fund	08.75	12	30/09/2003	30/09/2003	0	0	0	0
BM Wood	10.00	89	30/06/2004	30/06/2004	0	0	0	0
CMB Nominees (Pty) Ltd.	16.75	82	31/12/2007	30/01/2020	1,500,000	0	0	1,500,000
Infrastructure Finance Corporation Limited	16.80	A161	30/06/2007	30/06/2007	30,000	0	0	30,000
Infrastructure Finance Corporation Limited	16.80	94	30/06/2007	30/06/2007	1,114,081	0	0	1,114,081
Infrastructure Finance Corporation Limited	16.80	99	30/06/2011	30/06/2011	1,800,000	0	0	1,800,000
Infrastructure Finance Corporation Limited	16.80	A162	30/06/2011	30/06/2011	18,500,000	0	0	18,500,000
					<u>22,944,081</u>	<u>0</u>	<u>0</u>	<u>22,944,081</u>
Other loans								
Standard Corporate & Merchant Bank	16.57	N/A	20/03/2006	25/02/2023	20,000,000	0	0	20,000,000
					<u>20,000,000</u>	<u>0</u>	<u>0</u>	<u>20,000,000</u>
Annuity loans								
Borough of Scottburgh	08.75	N/A	31/12/2003	31/12/2003	0	0	0	0
Development Bank of Southern Africa	10.00	N/A	22/06/2013	22/06/2013	2,205,880	0	160,856	2,045,024
Ex Umdoni Municipality CDF					2,348,939	0	0	2,348,939
Ex Umdoni Municipality PIF					151,021	0	0	151,021
Ex Umdoni Municipality - External Loan					2,600,278	0	160,913	2,439,365
Ex Hibiscus Coast Municipality CDF					5,705,831	0	0	5,705,831
Ex Hibiscus Coast Municipality LRF					138,356	0	0	138,356
Ex Hibiscus Coast Municipality - External Loan					23,547,793	0	902,756	22,645,038
Ex Umuzwabantu Municipality CDF					2,027,784	0	0	2,027,784
Ex Umuzwabantu Municipality - External Loan					1,510,609	0	44,810	1,465,799
					<u>40,236,492</u>	<u>0</u>	<u>1,269,335</u>	<u>38,967,157</u>
Lease Commitments								
Abasa Corporate Bank	14.00	N/A	24/03/2006	N/A	14,481,689	0	2,187,662	12,294,027
Ex Hibiscus Coast Municipality					407,682	0	0	407,682
Ex Hibiscus Coast Municipality					0	0	0	0
					<u>14,889,371</u>	<u>0</u>	<u>2,187,662</u>	<u>12,701,709</u>
					<u>98,069,944</u>	<u>0</u>	<u>3,456,997</u>	<u>94,612,948</u>

UGU DISTRICT MUNICIPALITY

EXTERNAL LOANS AND INTERNAL ADVANCES (continued)

	Interest rate	Loan number	Redeemable	Loan authority expires	Balance at 30/06/2004 R	Received during the year R	Redeemed or written off during the year R	Balance at 30/06/2005 R
INTERNAL ADVANCES								
L S C R W S C Renewals Fund	4.00-16.00				561,706	0	0	561,706
L S C R W S C Loan Redemption Fund	4.00-16.00				1 456,296	0	0	1 456 296
L S C R W S C Capital Development Fund	9.00				54,842,099	23 033,852	12,528,696	65,347,265
L S C R W S C Capital Development Schemes	9.00				1,868,124	0	207,569	1,660,555
U R W S C Capital Development Fund	10.00				16,028,584	(16,028 584)	0	0
Sanitation Capital Development Fund	9.00				0	794 438	0	794,438
Uvongo Sewer Scheme Loan Redemption Fund	16.00				142 550	0	0	142,550
					74 899 359	7 799 706	12 736 255	69 962 811

UGU DISTRICT MUNICIPALITY

ANALYSIS OF FIXED ASSETS

Expenditure
2004

R

2,192,621 GENERAL SERVICES
Community Services
66,995,236 ECONOMIC SERVICES
Sewerage
26,639,114 TRADING SERVICES
Water

95,828,971 TOTAL FIXED ASSETS

LESS: LOANS REDEEMED AND OTHER

CAPITAL RECEIPTS

Loans redeemed and advances paid
Contributions ex operating income
Contributions from Reserve Fund
Connection fees
Contributions from Renewals Fund
Compensation future mains
Developers contribution
Insurance
Grants and subsidies
Contributions from Local Authority

NET FIXED ASSETS

Budget
2005

R

25,503,002

Balance at
30/06/2004

R

4,709,667

Expenditure
2005

R

339,846

Written off
transferred
redeemed or
disposed of
during the
year
R

0

Balance at
30/06/2005

R

5,049,513

7,027,000

88,368,403

7,463,125

0

95,831,529

6,476,000

275,662,145

7,750,635

0

283,412,780

39,006,002

368,740,215

15,553,607

0

384,293,822

217,641,247

24,584,785

0

242,226,033

77,280,346

14,001,078

0

91,281,425

10,891,891

6,502,261

0

17,394,151

28,571

0

0

28,571

11,832

0

0

11,832

176,452

0

0

176,452

51,000

0

0

51,000

26,939,913

3,339,106

0

30,329,018

19,868

0

0

19,868

100,152,502

692,340

0

100,844,842

2,088,873

0

0

2,088,873

151,098,968

(9,031,178)

0

142,067,790

UGU DISTRICT MUNICIPALITY

ANALYSIS OF OPERATING INCOME AND EXPENDITURE FOR THE YEAR ENDED 30 JUNE 2005

2004	Note	2005	2005
Actual		Actual	Budget
R		R	R
INCOME			
97,451,956		125,905,289	112,987,079
20,664,404		22,871,072	27,955,200
150,232,760	29	168,764,788	138,112,000
12,935,980	15	7,070,520	12,983,637
21,146,840		26,104,550	32,164,706
192,775		199,621	105,606
1,052,808		22,906,001	22,970,776
26,883,687		5,332,266	46,145,761
5,654,072		5,546,979	5,441,957
0		0	0
0		0	0
<u>336,205,081</u>		<u>384,691,087</u>	<u>398,866,732</u>
EXPENDITURE			
74,690,499		80,067,857	85,447,034
11,777,872		9,692,231	8,000,000
32,711,202		48,952,527	52,006,504
8,334,281		8,878,149	10,734,000
27,345,037	15	30,548,705	36,171,973
0		0	0
10,992,669		17,701,528	22,919,514
153,103,652		177,162,209	161,809,178
2,591,140		6,502,261	6,814,600
18,106,893	16	8,350,573	14,963,930
<u>339,653,244</u>		<u>387,856,128</u>	<u>398,866,732</u>
<u>(3,448,164)</u>		<u>(3,165,041)</u>	<u>0</u>
Net surplus/(deficit) for the year			

UGU DISTRICT MUNICIPALITY

2004	2004	2004	Note	2005	2005	2005	2005
Actual Income	Actual Expenditure	Surplus/ (Deficit)		Actual Income	Actual Expenditure	Surplus/ (Deficit)	Budget Surplus/ (Deficit)
R	R	R		R	R	R	R
			GENERAL SERVICES				
178,844,224	181,008,590	-2,164,366	Community Services	199,641,024	214,565,720	-14,924,696	0
			ECONOMIC SERVICES				
28,141,403	33,048,455	-4,905,051	Sewer	43,141,259	43,330,912	-189,653	0
			TRADING SERVICES				
129,219,454	125,598,200	3,621,254	Water	141,008,803	129,959,496	11,049,308	0
336,205,081	339,653,244	-3,448,164		384,691,087	387,856,128	-3,165,041	0
			-897,445 Appropriations for the year	16		10,026,539	
			2,870,893 Transfer (to) from Reserves	2		5,221,301	
			-1,474,716 Net surplus/(deficit) for the year			12,082,799	
			23,315,286 Accumulated surplus/(deficit) beginning of year			21,840,570	
			21,840,570 ACCUMULATED SURPLUS/(DEFICIT) AT END OF THE YEAR			33,923,369	

APPENDIX F

UGU DISTRICT MUNICIPALITY

STATISTICAL INFORMATION

Water Statistics

Number of users
Units sold
Average price per unit sold
Cost per unit sold

Number of Ratepayers
Flat rate/site

	2005	2004	2003
Number of users	32,700	32,078	29,116
Units sold	12,144,130	11,723,936	11,306,948
Average price per unit sold	R 10.37	R 8.31	R 8.54
Cost per unit sold	R 11.08	R 10.71	R 7.74
Number of Ratepayers	6,205	6,163	6,393
Flat rate/site	R 787	R 722	R 660

Sewer Statistics

Cost of purification
Effluent purified-kl/annum
Cost per kilolitre purified-R/kl

	2005	2004	2003
Cost of purification	R 43,141,259	R 33,046,455	R 6,837,803
Effluent purified-kl/annum	8,676,016	7,887,286	1,129,680
Cost per kilolitre purified-R/kl	R 4.97	R 4.19	R 6.05

Levy Statistics

Number of levy payers

	2005	2004	2003
Number of levy payers	6,484	5,899	5,913